

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MINNESOTA
Civil No. 08-5348 (ADM/JSM)

UNITED STATES OF AMERICA,)
)
Plaintiff,)
)
v.)
)
1. THOMAS JOSEPH PETTERS;)
PETTERS COMPANY, INC., aka)
PCI; PETTERS GROUP WORLDWIDE, LLC;)
2. DEANNA COLEMAN aka DEANNA MUNSON;)
3. ROBERT WHITE;)
4. JAMES WEHMHOFF;)
5. LARRY REYNOLDS, and/or dba NATIONWIDE)
INTERNATIONAL RESOURCES aka NIR;)
6. MICHAEL CATAIN, andor dba ENCHANTED)
FAMILY BUYING COMPANY;)
7. FRANK E. VENNES JR, and/or. dba METRO)
GEM FINANCE,)
METRO GEM INC.,)
GRACE OFFERINGS OF FLORIDA, LLC,)
METRO PROPERTY FINANCING, LLC,)
38 E. ROBINSON, LLC,)
55 E. PINE, LLC,)
ORLANDO RENTAL POOL, LLC,)
100 PINE STREET PROPERTY, LLC,)
ORANGE STREET TOWER, LLC,)
CORNERSTONE RENTAL POOL, LLC,)
2 SOUTH ORANGE AVENUE, LLC,)
HOPE COMMONS, LLC,)
METRO GOLD, INC.;)
Defendants.)
)
)
DOUGLAS A. KELLEY,)
Receiver,)
)
GARY HANSEN,)
Receiver)

AFFIDAVIT OF RECEIVER

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

I, Douglas A. Kelley, state and allege as follows:

1. By Order dated October 14, 2008, this Court appointed me Receiver for the Defendants, except Vennes.
2. In Section **IV. RECEIVERSHIP**, B. RECEIVERSHIP POWERS AND DUTIES, paragraph 5., I am directed to make necessary or advisable payments and disbursements from the Receivership estate, “including reasonable living expenses ...which are found by the Receiver to be legitimate...”
3. I am submitting this affidavit in support of my Motion to the Court to approve living expenses which I have found to be reasonable and necessary or advisable and legitimate.
4. To determine appropriate living expenses, I asked each of the Defendants to submit to me a request for appropriate living expenses. The six individual defendants, through their attorneys, have submitted that request.
5. I have reviewed those requests and have determined that it is appropriate to divide the requests into two groups. The first group is a request to pay the necessary expenses to preserve those assets I believe have equity and which I intend to sell at a later time. Examples of this group include the payment of mortgages, real estate taxes, insurance for real estate with sufficient equity. If I determine at a later date that the asset, either real or personal, has no equity, I will return to the Court with a request to release that asset from this Receivership.
6. The second grouping are those requested by the Defendants for living expenses. This includes food, health care, transportation, etc.
7. In agreeing to the payment of living expenses, I have attempted to be as consistent with the individual request as possible. To do that I looked for some guidance from national allowances or programs. I have primarily relied upon two that I found. The first are the Internal Revenue Service National Standards. A copy of those standards is attached to and made a part of this Affidavit as **Attachment A**. The second reference material is from the Office of the U. S. Trustee, U. S. Department of Justice for use in the bankruptcy courts. While they seemingly adopt the IRS standards, there are some minor differences. The bankruptcy standards allow a 5% increase for food and clothing and an administrative expense

allowance. A copy of the U. S. Trustee guidelines are attached to this affidavit as **Attachment B**.

8. I have used the IRS standards in arriving at what I deem to be the appropriate allowance for living expenses. Each of the Defendants is represented in this matter by counsel and we are paying in full requested medical insurance. We are also requesting certain additional expenses for some of those individuals which will be addressed in this affidavit.
9. The following are Monthly Expense Requests and Recommendation for the individual defendants which are attached to and made a part of this affidavit:

	<u>Defendant</u>	<u>Request/recommendation</u>
1.	Thomas Joseph Petters	Attachment C
2.	Deanne Coleman	Attachment D
3.	Robert White	Attachment E
4.	James Wehmhoff	Attachment F
5.	Larry Reynolds	Attachment G
6.	Michael Catain	Attachment H

10. My recommendation for allowable living expenses is based upon the number of individuals living in a household and allowing the same medical insurance coverage for all defendants. There are some unique requests and allowances based upon special needs or circumstances.

11. Thomas Joseph Petters

Mr. Petters has two children, ages 3 and 1 ½. Mr. Petters remains incarcerated. They are cared for by a nanny from Monday through Friday. They have been spending weekends with their Mother, Tracy Mixon. The children also attend daycare. I recommend paying for the nanny care and daycare subject to further review at a later date.

Tracy Mixon is the mother of Mr. Petters' children. She has requested child support in the amount of \$7,000.00 per month. Food, clothing, shelter and other expenses are already being considered and recommended for payment in this action. There is no Court Order regarding this request. I recommend that it be denied.

Tracy Mixon also requests that I pay her maintenance in the amount of \$5,000 per month, her Hazelden bill of \$38,000 and her attorney fees in the amount of \$25,000. Again, there is no Court Order regarding these matters. Nor was the maintenance amount being previously paid. Ms. Mixon will be permitted to live in the house she had previously been living in, subject to an occupancy agreement. I recommend that we not pay these amounts.

12. Deanne Coleman

There are no unique requests.

13. Robert White

Robyn White, Robert White's wife, has two children, ages 8 and 6. They are currently enrolled at Blake. On February 20, 2008 Robyn White signed a contract with Blake for both children to attend Blake for the 2008-2009 school year.

The total cost of the contract is \$40,945.40. White agreed to pay tuition on the 10 month payment plan beginning in July 2008. A total balance of \$30, 581.80 remains to be paid. Because of the youth these children and the instability they must be feeling in this traumatic time in the lives of all members of the family, and in an effort to continue some uniformity in their lives, I am recommending payment of this tuition through the remainder of this school year.

Robert White has submitted numerous other requests including past due bills, loans, and other bills which I do not recommend paying.

14. James Wehmhoff

Mr. Wehmhoff requests that we pay his 2007 income taxes in the amount of \$593,010. I recommend that we deny that request.

15. Larry Reynolds

While Mr. Reynolds has requested additional personal living expenses, I am not recommending that I pay any of them.

16. Michael Catain

Michael Catain's son, Nick, is completing the first semester of his second year at the University of St. Thomas. The semester ends December 18, 2008 and final exam week is the week of December 15th. Catain owes the University \$5,635.82 for the fall semester. I recommend that I pay this amount to permit Nick Catain to

finish this semester.

s/Douglas A. Kelley
Douglas A. Kelley, Receiver

Subscribed and sworn to before me
This __9th__ day of December, 2008.

s/Lisa K. Yang
Notary Public, State of Minnesota,
County of Hennepin.
My commission expires Jan. 31, 2012.